

**Duke Energy Carolinas, LLC's and Duke Energy Progress, LLC's  
Late-Filed Exhibit 2**

**Attachment 1**

**DEP 2018 Capacity and Energy Market Solicitation  
Issued August 27, 2018**

# **Duke Energy Progress Capacity and Energy Market Solicitation**

Dated: August 27, 2018  
Proposals Due: September 24, 2018

PowerAdvocate Event # 81056

## Contents

1.0 Introduction .....	3
2.0 General Terms .....	4
A. Contract Capacity .....	4
B. Quantity, Term, & Delivery Date .....	4
C. Capacity and Energy Pricing .....	5
D. Fuel Supply .....	5
E. Location.....	5
F. Transmission.....	6
G. Project Data.....	6
3.0 Instructions to Respondents .....	6
A. Initial Access .....	6
B. Schedule .....	7
C. Proposal Organization .....	7
1. Executive Summary.....	7
2. Proposal Limitations .....	7
3. Response Package.....	7
4.0 Proposal Evaluation and Contract Negotiation .....	8
A. Initial Proposal Review .....	8
B. Proposal Selection.....	8
C. Contract Negotiations .....	8
5.0 Reservation of Rights.....	9

## 1.0 Introduction

Duke Energy Progress (DEP) has identified a near term need for approximately 2000 megawatts (MW) of firm dispatchable peaking/intermediate capacity and energy resources resulting from expiring traditional purchase power agreements. To meet this need, DEP is seeking extensions from existing suppliers and new capacity proposals from similar existing unit specific generation facilities or generation systems with firm transmission deliverability into DEP. Successful proposals are expected to be multi-year peaking/intermediate negotiated contracts that meet industry standards for commercial availability and dispatchability requirements.

This solicitation is being released in addition to the Competitive Procurement Renewable Energy (CPRE) RFP which is seeking to secure renewable energy in the DEP and Duke Energy Carolinas service territories. The combination of these two solicitations will meet near term traditional and renewable generation resource needs described in Duke's Integrated Resource Plan.

### **Proposal Guidelines**

- Approximate annual cumulative resource needs:
  - Year 2020/2021 - up to 700 MW
  - Year 2021/2022 - up to 1000 MW
  - Year 2022/2023 - up to 1500 MW
  - Year 2023/2024 - up to 2000 MW
- Annual purchase power agreement (PPA) contract terms begin December 1<sup>st</sup> and end November 30<sup>th</sup> of the following year to meet DEP's winter capacity planning needs. The first capacity proposal contract year may begin December 1<sup>st</sup>, 2020 and end November 30<sup>th</sup>, 2021.
- Proposals may commence as early as December 1<sup>st</sup>, 2020 and commence no later than December 1<sup>st</sup>, 2023. Proposals may include a minimum term of two consecutive years and a maximum term of five consecutive years. The latest contract term can begin December 1<sup>st</sup>, 2023 and may continue a maximum of five consecutive years ending November 30<sup>th</sup>, 2028.
- Resources must be fully dispatchable and have the capability to be firmly delivered to the DEP balancing area.
- Proposals can be either firm unit contingent or system firm capacity and must meet Designated Network Resource (DNR) requirements. The respondent must own or control the generation or have committed to a firm purchase power contract in order to designate a resource as a Designated Network Resource. A DNR cannot include resources, or any portion thereof, that are designated as Network Resource for another customer or otherwise cannot be called upon to meet DEP's load on a non-interruptible basis.
- Proposals must have a minimum capacity of at least 75 MW.

DEP will utilize PowerAdvocate to administer this solicitation. PowerAdvocate is a web-based platform that centralizes proposal submissions and ongoing communications with DEP while maintaining confidentiality among all respondents. Information, instructions, and the

opportunity to submit questions will be provided within PowerAdvocate. In addition, for more detailed proposal structuring or guidance, respondents may contact Michael Keen via E-mail at [Michael.keen@duke-energy.com](mailto:Michael.keen@duke-energy.com) or office number 727-820-4500 during regular business hours.

Respondents must submit their proposals to PowerAdvocate Event # 81056 on or before, 5:00 pm EST on September 24, 2018.

## 2.0 General Terms

DEP is requesting up to approximately 2000 MW of firm dispatchable peaking/intermediate capacity and energy beginning in December 1, 2020 to fulfill near term capacity needs as part of its Integrated Resource Plan. DEP is seeking firm dispatchable resources with demonstrated operational characteristics and as such will not accept non-firm, non-dispatchable proposals.

The delivery point for the capacity and energy will be into DEP's balancing area for delivery to DEP's load.

### A. Contract Capacity

For dispatchable, traditional peaking/intermediate resources, contract capacity should be stated at summer ambient conditions of 100 degrees F, 40% relative humidity, and 95% lagging power factor. For resources outside the DEP balancing area, the contract capacity should be given at the DEP balancing area delivery point.

### B. Quantity, Term, & Delivery Date

DEP's approximate annual capacity need for this solicitation increases up to a cumulative capacity need of approximately 2000 MW as follows:

- Year 2020/2021 - up to 700 MW
- Year 2021/2022 - up to 1000 MW
- Year 2022/2023 - up to 1500 MW
- Year 2023/2024 - up to 2000 MW

Annual PPA contract terms begin December 1<sup>st</sup> and end November 30<sup>th</sup> of the following year to meet DEP's winter capacity planning needs. For example, a hypothetical two-year proposal would begin December 1<sup>st</sup>, 2020 and end November 30<sup>th</sup>, 2022.

PPA proposal terms may commence for any contract term listed above and may continue for a maximum term of five consecutive years and a minimum term of two consecutive years. The latest proposal term begins December 1<sup>st</sup>, 2023 and may continue a maximum of five consecutive years ending November 30<sup>th</sup>, 2028.

Resources must be fully dispatchable and have the capability to be firmly delivered into the DEP balancing area. Proposals can be either unit contingent or system firm capacity. Proposals must have a minimum capacity of at least 75 MW.

### C. Capacity and Energy Pricing

Respondent pricing may be comprised of a capacity component on a \$/kW-yr basis and an energy component on a \$/MWh basis. The energy cost can be a single price encompassing all desired costs on a \$/MWh basis or may be stated as separate costs including a start cost (\$/start), variable O&M (\$/MWh), environmental cost (\$/MWh), and fuel cost (\$/MMBtu), as applicable. Where applicable, a guaranteed heat rate (Mmbtu/Mwh) should be provided for the conversion of fuel to energy.

Proposals must provide a detailed description of the pricing terms and all appropriate conditions that may impact final delivered capacity and energy prices. During any subsequent discussions and/or negotiations, DEP may request modifications to the proposed contract structure scheme to accommodate its own operational or administrative requirements.

Respondent is responsible for complying with all applicable state and federal environmental regulations and requirements, including SO<sub>2</sub> allowances, NO<sub>x</sub> allowances and emission fees. Environmental costs should be included in the proposal as well.

Proposed pricing should be considered firm until December 31<sup>st</sup>, 2018.

### D. Fuel Supply

The proposal must indicate the defined contractual fuel pricing point and any applicable local distribution company charges. Fuel supply proposals must be specified as either a tolling arrangement (Duke provides fuel) or as the responsibility of facility owner. Non-tolling fuel supply proposals may include either a fuel index formula or fixed fuel price. For all indexed bids, a fuel pricing formula must be provided with sufficient detail to understand the stated formula components for estimation of the cost of fuel, in \$/MMBtu, for the proposal term.

Intermediate capacity gas proposals should include pricing for firm gas supply (firm gas transportation) to the proposed facility delivery point for 100% of the proposed intermediate capacity. All pertinent details on the firm gas supply and transportation arrangements and total costs such as daily transportation volume and any transportation demand rate information necessary for DEP to understand the total cost of firm gas transportation on a monthly and annual basis must be included.

Non-tolling peaking capacity gas proposals should provide proposed gas transportation firmness arrangements to ensure adequate gas supply for peaking dispatch and/or provide alternative fuel back up arrangements.

### E. Location

Respondent must provide unit specific generation resource identification and location. System capacity products must ensure system capacity firmness with supporting information on system capacity reserves during the proposed delivery period. Capacity and energy from the generation resources must be able to be firmly delivered into DEP's balancing area for delivery to DEP's load.

## F. Transmission

All capacity and energy must be firmly delivered into the DEP balancing area for delivery to DEP's load. For resources located outside the DEP transmission system, respondents must describe the firm transmission arrangements and all costs required to deliver into DEP, as well as discussing the cost and availability of all other transmission provider services involved. Respondents should identify and provide an estimate of the annual transmission related costs for delivery of the capacity based on currently owned transmission paths as well as other required transmission rights using the appropriate tariff rates and all other anticipated transmission costs from all involved transmission providers.

## G. Project Data

Operational data from unit specific generating resources should be provided for the most recent three years of past operations including but not limited to capacity factors, heat rate information, permit limitations, any limits on minimum and maximum consecutive run hours, outages, availability, extensive equipment maintenance or modifications, minimum and maximum unit and scheduling capabilities, and other such pertinent information.

## 3.0 Instructions to Respondents

### A. Initial Access

PowerAdvocate will be used for the administration of this solicitation. Information and instructions for respondents will be provided within PowerAdvocate. The response package is housed within PowerAdvocate.

#### Existing PowerAdvocate Supplier Account:

- Please share your interest in reviewing the Response Package for Event # 81056, DEP Capacity and Energy Market Solicitation 2018 with: [DEPSS@duke-energy.com](mailto:DEPSS@duke-energy.com). Your email should include your PowerAdvocate Supplier Account name and related contact name as listed under your Supplier Account.

#### Register a New PowerAdvocate Supplier Account:

- For respondents that require a new PowerAdvocate Supplier Account, please visit [www.PowerAdvocate.com](http://www.PowerAdvocate.com), click on "Registration" link at the top right-hand corner of the screen, and follow the instruction to complete registration as a Supplier for Event #81056, DEP Capacity and Energy Market Solicitation 2018. Following approval as a Supplier by PowerAdvocate, please share your interest in reviewing the Response Package for Event # 81056, with [DEPSS@duke-energy.com](mailto:DEPSS@duke-energy.com). Your email should include your PowerAdvocate Supplier Account name and related contact name as listed under your Supplier Account.

Responses to frequently asked questions may be placed within PowerAdvocate under FAQs for the benefit of all respondents, although care will be taken not to identify any specific respondents.

## B. Schedule

The solicitation process will include the activities and events as indicated in the schedule shown below. Proposals will be reviewed for completeness and proposals that do not meet the solicitation requirements will be notified and allowed a limited period to cure the identified deficiencies.

### Schedule

The schedule outlined below is subject to change based on response. Any changes to schedule will be communicated to all respondents through PowerAdvocate.

Release	August 27, 2018
Proposal Submittal Deadline	September 24, 2018
Contract Execution	First Quarter 2019

DEP reserves the right to extend or otherwise modify any portion of the schedule or terminate the solicitation process at its sole discretion. Respondents will be notified via PowerAdvocate of any schedule changes.

**All response packages and any supporting information must be submitted to PowerAdvocate Event # 81056 on or before 5:00 pm EST on September 24, 2018.** Proposals received after this date may be considered at the discretion of DEP.

## C. Proposal Organization

All proposals must include the following components:

### 1. Executive Summary

The executive summary should summarize the respondent's qualifications and content of the proposal. Respondent should provide a description of the project, including type and manufacturer of major equipment; identify all owners and energy off takers, project location and fuel arrangements.

### 2. Proposal Limitations

Please provide reasonable detail on any economic, operational, or system conditions that might affect the respondent's ability to deliver the capacity and energy firmly to the DEP balancing area.

### 3. Response Package

Respondents are required to complete all questions in the response package provided by DEP to compete in this solicitation process. All respondents must execute the Confidentiality Agreement ("CA") in the form attached.

Attachment A: General Information



Attachment B: Supply Side Term Sheet

Attachment C: Detailed Operating Parameters

Attachment D: Confidentiality Agreement

## **4.0 Proposal Evaluation and Contract Negotiation**

### **A. Initial Proposal Review**

After the proposal submittal deadline, DEP will review all responses for completeness and responsiveness. DEP may request a respondent provide additional information or clarification to their original proposal. DEP will make such requests via PowerAdvocate and specify a deadline for compliance. Failure to provide the requested information or clarification by the deadline may result in disqualification of the proposal. DEP may select any number of proposals for further consideration.

### **B. Proposal Selection**

After the initial proposal review, proposals will be evaluated based on present value economic analysis and the ability of the respondent to perform. Proposal evaluations are geared toward identifying the most cost-effective proposals while also considering respondent operational experience, facility operational flexibility, past facility performance, location, risks of product deliverability, reliability of fuel supply, impact to delivery due to current off take agreements, and ability to reach acceptable contractual agreement with involved parties.

### **C. Contract Negotiations**

DEP may require that certain provisions be included in final purchase power agreements. Such provisions may include, but are not limited to, financial assurance (depending on the financial means and historical performance of Respondent), indemnification, make-whole damages for non-performance, and any other matter deemed necessary, prudent, or desirable by DEP.

DEP will communicate via PowerAdvocate of its interest in commencing contract negotiations. DEP's commencement of, and participation in, negotiations shall not be construed as a commitment to execute a contract. If a contract is negotiated, it will not be effective unless and until it is fully executed. DEP reserves the right at any time, during contract negotiations, at its sole discretion, to terminate or, once terminated, to resume negotiations with a respondent. This solicitation contains general guidelines and requirements for developing and submitting proposals. Nothing herein shall be construed to bind DEP unless and until a contract with a respondent has been successfully negotiated, executed, and is effective. Once effective, the contract will govern the relationship between and responsibilities of the parties. The costs for responding to the solicitation and contract negotiations are the responsibility of the respondent.

## 5.0 Reservation of Rights

In responding to this solicitation, the respondent agrees and accepts that nothing contained in this solicitation will be construed to require or obligate DEP to select any proposal or limit the ability of DEP to reject all proposals in its sole and exclusive discretion. DEP further reserves the right to modify the schedule, or withdraw and terminate this solicitation at any time prior to the proposal deadline, proposal selection, or at any time prior to execution of a contract.

DEP reserves the right to consider alternatives outside of this solicitation, including, but not limited to, negotiations between DEP and current power suppliers. Nothing in this solicitation will affect or limit DEP's discretion and/or obligation to enter into any agreement with any other entity or to otherwise pursue any other arrangement with any party.

Respondent shall indemnify and hold harmless DEP from any and all liabilities in connection with any proposal submitted. Respondents shall execute DEP's form confidentiality agreement.

All proposals submitted to DEP pursuant to this solicitation shall become the exclusive property of DEP and may be used for any reasonable purpose by DEP. DEP will consider materials provided by respondent to be confidential only to the extent protected by the confidentiality agreement entered into with DEP.

Respondents should be aware that submittals, even if marked "Confidential," may be subject to discovery and disclosure in regulatory or judicial proceedings that may or may not be initiated by DEP. As further set forth in DEP's confidentiality agreement, DEP will be permitted to disclose information in response to such requests or requirements without protective treatment, and DEP will be permitted to disclose information to the regulatory and public staff without protective treatment. DEP will be permitted to provide or produce materials and information without any prior consultation with or approval of the respondent.

**Duke Energy Carolinas, LLC's and Duke Energy Progress, LLC's  
Late-Filed Exhibit 2**

**Attachment 2**

**Cherokee September 18, 2018 Letter  
Asserting Intent to Sell to DEC**

Duke Energy Carolinas, LLC  
Michael Keen  
Business Development Manager Renewable Compliance & Origination  
FL 155 299 First Avenue North  
St. Petersburg, FL 33701  
michael.keen@duke-energy.com

Kathy Dunn  
Duke Energy - Distributed Energy Technologies  
400 South Tryon Street  
Mail Code: ST 14A  
Charlotte, North Carolina 28202  
Kathy.Dunn@duke-energy.com

Duke Energy Carolinas  
526 South Church Street  
P.O. Box 1006  
Charlotte, North Carolina 28201-1006  
Attn.: Director, Supply Side Resources  
DERContracts@duke-energy.com

Copy to:

David Johnson  
ST 14A 400 South Tryon Street  
Charlotte, NC 28285  
david.johnson@duke-energy.com

Date: September 17, 2018

Re: Notice of Commitment to Sell Output of a Qualifying Facility – Cherokee County Cogeneration Partners, LLC

Greetings:

Cherokee County Cogeneration Partners, LLC (“Cherokee”) submits the enclosed executed Notice of Commitment to Sell the Output of a Qualifying Facility (“Notice”) with respect to Cherokee’s 86 MW cogeneration facility that currently sells its full output to Duke Energy Carolinas, LLC (“DEC”). The facility is a fully operational QF as described in the self-certification of qualifying facility (“QF”) status filed with the Federal Energy Regulatory Commission (“FERC”) in Docket No. QF94-160-012 (the “Facility”). By submitting this Notice, Cherokee is making a legally binding offer of all capacity and energy associated with the Facility to DEC as of January 1, 2021, the day after expiration of its current Power Sales Agreement between Cherokee and DEC dated June 28, 2012, effective between July 1, 2013 and December 31, 2020 (“Power Sales Agreement”).

Consistent with DEC’s and Cherokee’s prior business practices with respect to the Power Sales Agreement, Cherokee submits this legally binding offer prior to the expiration of its present contract. DEC and Cherokee entered into the Power Sales Contract over a year before expiration of the prior agreement, and began negotiations well before the contract was executed (approximately January of 2012). This practice helps to ensure a smooth transition to the next contract term by providing certainty to both parties

with respect to the effective avoided cost rate, and enabling DEC to take the Facility into account in its resource planning and capacity needs. Cherokee looks forward to working with DEC to reach mutually agreeable terms and establish the applicable avoided cost rate for the new contract.

The Notice establishes Cherokee's legally enforceable obligation ("LEO") under the Public Utility Regulatory Policies Act ("PURPA"), FERC's implementing PURPA regulations, and applicable FERC precedent. This Notice is consistent with the approach toward PURPA implementation referenced by FERC with respect to merger of DEC and Duke Energy Progress, LLC ("DEP"), where FERC expressly relied on the representations of the Duke merging parties that both DEP and DEC would each remain subject to their PURPA obligations post-merger. *See* Order on Disposition of Jurisdictional Facilities and Merger, 136 FERC ¶ 61,245 at ¶ 148 (2011).

Pursuant to PURPA and its implementing regulations, Cherokee establishes the avoided cost for its energy and capacity as of today, September 17, 2018, the date that the LEO is incurred. *See* 18 C.F.R. § 292.304(d)(2)(ii) (providing an unqualified right for QFs to establish avoided costs calculated at the time the LEO obligation is incurred). Cherokee provides its Form 556, Negotiated Pricing Template, and a DEC Notice of Commitment form, thereby establishing its LEO for DEC as of today, September 17, 2018 to purchase all of its output made available as of January 1, 2021, the day after the Power Sales Agreement expires. However, if DEC believes it needs additional information for Cherokee to establish the LEO, Cherokee requests that DEC inform Cherokee within five (5) business days.

We look forward to a productive process for negotiating and finalizing a new power purchase agreement for the Facility, which builds on the years of working together under the Power Sales Contract. If you have any questions regarding the enclosed information, please contact me at your convenience.

Sincerely,



---

Name: Carolyn Murff  
Title: Senior Vice President  
Cherokee County Cogeneration Partners, LLC

**Attachments**

Cherokee County Cogeneration Partners, LLC FERC Form 556  
Negotiated Pricing Template  
Notice of Commitment of Cherokee County Cogeneration Partners, LLC

**SOUTH CAROLINA NOTICE OF COMMITMENT TO SELL THE OUTPUT  
OF A QUALIFYING FACILITY TO  
Duke Energy Carolinas, LLC or Duke Energy Progress, LLC**

Instructions to QF: The QF shall deliver, via certified mail, courier, hand delivery or email, its executed Notice of Commitment to:

Duke Energy - Distributed Energy Technologies  
400 South Tryon Street  
Mail Code: ST 14A  
Charlotte, North Carolina 28202  
Attn.: Wholesale Renewable Manager  
[DERContracts@duke-energy.com](mailto:DERContracts@duke-energy.com)

Any subsequent notice that a QF may be required to provide to Company pursuant to this Notice of Commitment shall be delivered to the same address by one of the foregoing delivery methods.

1. Cherokee County Cogeneration Partners, LLC (“Seller”) hereby commits to sell to Duke Energy Carolinas, LLC or Duke Energy Progress, LLC (the “Company”) all of the electrical output of the Seller’s qualifying facility (the “Facility”).
2. The name, address, and contact information for Seller is:  

David J. Marshall  
LS Power  
1700 Broadway, 35th Floor  
New York, NY 10019

Telephone: (212) 547 2808  
Email: DMarshall@LSPower.com
3. By execution and submittal of this commitment to sell the output of the Facility (the “Notice of Commitment”), Seller certifies as follows:

**Eligibility for Schedule PP**

Seller is a qualifying facility (“QF”) with a maximum nameplate capacity of 98 MW and is not eligible for the Company’s Schedule PP. Seller elects to exercise its rights under PURPA to sell pursuant to a legally enforceable obligation with avoided costs calculated at the time the obligation is incurred.

**Application to Interconnect Generator to Company’s System**

Because Seller is already fully interconnected to Duke Energy Carolinas, LLC, documentation regarding an interconnection request is inapplicable.

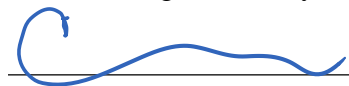
FERC Form 556

Seller has attached to this Notice of Commitment Form a copy of its FERC Form 556 or has attested below that the QF is exempted from the self-certification requirement.

☒ Seller attests that it is exempt from FERC QF self-certification requirement

4. By execution and submittal of this Notice of Commitment Seller acknowledges that the legally enforceable obligation date ("LEO Date") for the Facility will be established upon the Company's receipt of a complete copy of this Notice of Commitment Form, which must include a copy of the Seller's FERC Form 556 (unless the Seller is exempt from the self-certification requirement), which shall be based upon (a) the receipted date of deposit of this Notice of Commitment with the U.S. Postal Service for certified mail delivery to the Company, (b) the receipted date of deposit of this Notice of Commitment with a third-party courier (e.g., Federal Express, United Parcel Service) for trackable delivery to the Company, (c) the receipted date of hand delivery of this Notice of Commitment to the Company at the address set forth in paragraph 1, above, or (d) the date on which an electronic copy of this Notice of Commitment is sent via email to the Company if such email is sent during regular business hours (9:00 a.m. to 5:00 p.m.) on a business day (Monday through Friday excluding federal and state holidays). Emails sent after regular business hours or on days that are not business days shall be deemed submitted on the next business day.
5. The LEO Date will be used to determine Seller's eligibility for the rates, terms and conditions of the Company's currently effective Schedule PP.
6. This Notice of Commitment shall automatically terminate and be of no further force and effect upon: (i) execution of a PPA between Seller and Company or, (ii) if such Seller does not execute a PPA, thirty (30) days after Company's delivery of an "executable" PPA to the QF by the Company, that contains all information necessary for execution and which the Company has requested that the QF execute and return.

The undersigned is duly authorized to execute this Notice of Commitment for the Seller:

 Carolyn Murff

Senior Vice President

Cherokee County Cogeneration Partners, LLC

17 Sept 2018

[Date]

**Duke Energy Carolinas, LLC's and Duke Energy Progress, LLC's  
Late-Filed Exhibit 2**

**Attachment 3**

**DEC October 5, 2018 Letter to Cherokee  
Regarding Commencing Negotiations**





October 5, 2018

*Via Email and Priority Mail*

Ms. Carolyne Murff  
Senior Vice President  
Cherokee County Cogeneration Partners, LLC  
1700 Broadway, 35<sup>th</sup> Floor  
New York, NY 10019

Re: Cherokee County Cogeneration Partners, LLC ("Cherokee") letter dated September 17, 2018 (the "September 17 Letter")

Dear Ms. Murff:

Duke Energy Carolinas, LLC ("DEC") acknowledges receipt of the September 17 Letter, which purports to establish a legally enforceable obligation ("LEO") within the meaning of PURPA for Cherokee's existing 86 MW generating facility (the "Facility"). DEC recognizes Cherokee's desire to commence negotiations prior to the termination of the existing power purchase agreement ("PPA") between the parties which expires on December 31, 2020. DEC is prepared to negotiate in good faith towards a new agreement to purchase the full output of the Facility; however, DEC does not agree that the September 17 Letter or the accompanying Notice of Commitment form referenced therein establish a legally enforceable obligation or "LEO" under PURPA. Among other things, the use of the Notice of Commitment form is limited to qualifying facilities of two (2) MW or less that are eligible for DEC's South Carolina Schedule PP standard offer tariff and is therefore not applicable to the Facility.

Notwithstanding the foregoing, subject to the conditions set out in this paragraph, DEC is prepared to commence negotiations with Cherokee for a new PPA that would become effective on or after January 1, 2021. DEC also agrees to provide Cherokee indicative avoided cost pricing based upon DEC's forecasted avoided costs calculated as of September 2018, as requested. Due to the time required for DEC to calculate its avoided cost, this information will not be available until on or about October 31, 2018. At that time, DEC will deliver its avoided costs as well as a form PPA that DEC would agree to execute in order to establish a legally binding arrangement to purchase Cherokee's full output of energy and capacity over a five-year term commencing

January 1, 2021. The avoided cost pricing will remain available for sixty (60) days from the date delivered by DEC to allow a reasonable amount of time for the parties to conclude any needed negotiations regarding the form of PPA. Prior to DEC delivering its avoided cost data and commencing negotiations of a new agreement, as requested by Cherokee, DEC requires the execution of the attached standard form confidentiality agreement. Please respond on or before October 24, 2018, providing the executed confidentiality agreement and DEC will then provide Cherokee with its estimated avoided costs calculated as of September 2018 and a draft PPA.

If DEC does not receive the executed confidentiality agreement on or before October 24, 2018, DEC will take this to mean that Cherokee has decided not to pursue negotiation of a new PPA at this time. If Cherokee subsequently renews its interest in negotiating a new PPA, DEC will provide avoided cost estimates calculated as of that time.

Please feel free to contact me at (727) 820-4500 if you have any questions.

Sincerely,



Michael T. Keen  
Duke Energy  
Business Development Manager

Attachment

Cc:

David J. Marshall  
LS Power  
1700 Broadway, 35<sup>th</sup> Floor  
New York, NY 10019

**Duke Energy Carolinas, LLC's and Duke Energy Progress, LLC's  
Late-Filed Exhibit 2**

**Attachment 4**

**DEC October 31, 2018 Letter  
Delivering Avoided Cost Rates and Large QF PPA**

<b>From:</b>	/o=exchangelabs/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=b04989de67834f3d867a87701c176ff2-ot05529 (35)
<b>To:</b>	Aaron Pupa (APupa@lspower.com) <APupa@lspower.com>
<b>CC:</b>	David J. Marshall (DMarshall@LSPower.com) <DMarshall@LSPower.com>; Rios Jr., Martin <Martin.Rios@duke-energy.com>; Dunn, Kathy <Kathy.Dunn@duke-energy.com>; Johnson, David B (David.Johnson@duke-energy.com) <David.Johnson@duke-energy.com>; DERContracts <DERContracts@duke-energy.com>
<b>Subject:</b>	Cherokee's Request for DEC's Avoided Costs
<b>Sent:</b>	2018/10/31 19:18:28 (UTC +00:00)
<b>Attachments:</b>	Cherokee Letter 10 31.pdf; image001.wmz

Aaron,

The attached cover letter and draft PPA were sent toCarolyn Murff via priority mail today. Please let me know if you have any questions. Thank you.

**Michael Keen**  
Business Development Manager  
Duke Energy  
Office 727.820.4500  
Mobile 727.424.2665





October 31, 2018

*Via Email and Priority Mail*

Ms. Carolyne Murff  
Senior Vice President  
Cherokee County Cogeneration Partners, LLC  
1700 Broadway, 35<sup>th</sup> Floor  
New York, NY 10019

Re: Cherokee County Cogeneration Partners, LLC ("Cherokee") - Request for Avoided Costs of Duke Energy Carolinas, LLC ("DEC")

Dear Ms. Murff:

DEC recognizes Cherokee's desire to commence negotiations prior to the termination of the existing power purchase agreement ("PPA") between the parties which expires on December 31, 2020. As requested, DEC's indicative avoided costs as of September, 2018 are specified below.

The rates included below have been calculated using DEC's standard system methodology for Qualifying Facilities based on DEC's September, 2018 system costs. Rates are levelized for the five year term beginning on January 1, 2021. There is no capacity component because DEC does not identify a capacity need in its Integrated Resource Plan ("IRP") until 2028. The pricing is based on the energy being delivered into DEC on a firm basis.

START DATE	January 1, 2021
TERM	5 years
ON-PEAK ENERGY PRICE	\$40.71/MWh
OFF-PEAK ENERGY PRICE	\$33.50/MWh


The summer months on-peak hours are 1:00 pm to 9:00 pm, Monday through Friday. The non-summer months on-peak hours are 6:00 am to 1:00 pm. The summer months are June, July, August and September. All other months are considered to be non-summer months. All hours of the following holidays are considered off-peak: New Year's Day, Good Friday,

Memorial Day, Independence Day, Labor Day, Thanksgiving Day and the day after, and Christmas Day.

Also, please find attached a draft Power Purchase Agreement (the "Draft PPA") for your review. If you desire to proceed with this transaction please include the seller's contact information and complete Exhibits 1, 4 and 5. When we receive this information we will prepare an execution copy. The avoided cost pricing included in this letter is available until December 31, 2018. All information included in this letter is considered confidential and protected under the confidentiality agreement executed by both parties on October 11, 2018.

Please feel free to contact me at (727) 820-4500 if you have any questions.

Sincerely,



Michael T. Keen  
Duke Energy  
Business Development Manager

Attachment

Cc:  
David J. Marshall  
LS Power  
1700 Broadway, 35<sup>th</sup> Floor  
New York, NY 10019

**Duke Energy Carolinas, LLC's and Duke Energy Progress, LLC's  
Late-Filed Exhibit 2**

**Attachment 5**

**LS Power Unsolicited Offer to Sell Capacity to DEC,  
Received December 7, 2018**

## SUMMARY OF MAJOR BUSINESS TERMS AND CONDITIONS FOR TOLLING AGREEMENT

Contract Quantity	[REDACTED]
Term	[REDACTED]
Transaction Overview	[REDACTED]
Facility	Cherokee County Cogeneration
Contract	[REDACTED] [REDACTED]

	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2021	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2022	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2023	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2024	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2025	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2026	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2027	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]



**Duke Energy Carolinas, LLC's and Duke Energy Progress, LLC's  
Late-Filed Exhibit 2**

**Attachment 6**

**Cherokee December 12, 2018 Letter  
Asserting Intent to Sell to DEP**

<b>From:</b>	Aaron Pupa <APupa@lspower.com>
<b>To:</b>	DERContracts <DERContracts@duke-energy.com>; Keen, Michael T <Michael.Keen@duke-energy.com>; Dunn, Kathy <Kathy.Dunn@duke-energy.com>; Johnson, David B <David.Johnson@duke-energy.com>
<b>CC:</b>	David J. Marshall <DMarshall@LSPower.com>
<b>Subject:</b>	Cherokee Notice Letter to DEP
<b>Sent:</b>	2018/12/12 23:59:49 (UTC +00:00)
<b>Attachments:</b>	Cherokee County Cogeneration Negotiated Power Template.xlsx; Cherokee LS Power 556.pdf; NC Notice of Commitment to Sell - Large QF - Cherokee.pdf; Notice of Commitment to Sell - Cherokee County Cogeneration Partners.pdf

**\*\*\* Exercise caution. This is an EXTERNAL email. DO NOT open attachments or click links from unknown senders or unexpected email. \*\*\***

Please see the attached Notice of Commitment letter and associated attachments to Duke Energy Progress from Cherokee County Cogeneration Partners, LLC.

Please let me know if you have any questions.

Sincerely,

Aaron Pupa  
LS Power  
[apupa@lspower.com](mailto:apupa@lspower.com)  
636-534-3271

This message is intended only for the designated recipient(s). It may contain confidential, privileged or proprietary information. If you are not a designated or intended recipient, you may not review, copy, distribute, use, or take any action in reliance upon this message or any attachments. If you receive this message in error, please notify the sender by reply email and delete this message and any attachments.

Duke Energy Carolinas, LLC  
Michael Keen  
Business Development Manager Renewable Compliance & Origination  
FL 155 299 First Avenue North  
St. Petersburg, FL 33701  
michael.keen@duke-energy.com

Kathy Dunn  
Duke Energy - Distributed Energy Technologies  
400 South Tryon Street  
Mail Code: ST 14A  
Charlotte, North Carolina 28202  
Kathy.Dunn@duke-energy.com

Date: December 12, 2018

Re: Notice of Commitment to Sell Output of a Qualifying Facility to Duke Energy Progress – Cherokee County Cogeneration Partners, LLC

Greetings:

Cherokee County Cogeneration Partners, LLC (“Cherokee”) submits to Duke Energy Progress, LLC (“DEP”) the enclosed executed Notice of Commitment to Sell the Output of a Qualifying Facility (“Notice”) with respect to Cherokee’s 86 MW cogeneration facility that currently sells its full output and is directly interconnected to Duke Energy Carolinas, LLC (“DEC”). The facility is a fully operational QF as described in the self-certification of qualifying facility (“QF”) status filed with the Federal Energy Regulatory Commission (“FERC”) in Docket No. QF94-160-012 (the “Facility”). By submitting this Notice, Cherokee is making a legally binding offer of all capacity and energy associated with the Facility to DEP as of January 1, 2021, the day after expiration of its current Power Sales Agreement between Cherokee and DEC dated June 28, 2012, effective between July 1, 2013 and December 31, 2020 (“Power Sales Agreement”). Cherokee has been providing capacity and dispatchable energy to DEC under this Power Sales Agreement.

Consistent with Cherokee’s prior business practices with respect to the Power Sales Agreement, Cherokee submits this legally binding offer prior to the expiration of its present contract with DEC. This practice helps to ensure a smooth transition to the next contract term and will enable DEP to take the Facility into account in its resource planning and capacity needs. Cherokee looks forward to working with DEP to reach mutually agreeable terms and establish the applicable avoided cost rate for the new contract.

The Notice establishes Cherokee’s legally enforceable obligation (“LEO”) under the Public Utility Regulatory Policies Act (“PURPA”), FERC’s implementing PURPA regulations, and applicable FERC precedent. This Notice is consistent with the approach toward PURPA implementation referenced by FERC with respect to merger of DEP and DEC, where FERC expressly relied on the representations of the Duke merging parties that both DEP and DEC would each remain subject to their PURPA obligations post-merger. *See* Order on Disposition of Jurisdictional Facilities and Merger, 136 FERC ¶ 61,245 at ¶ 148 (2011). The Duke companies also emphasized the economies of scale and efficiencies that would

result by the interconnected DEC and DEP systems operated on an integrated, jointly dispatched basis, “to permit the more efficient operation of their combined resources.”<sup>1</sup>

As Cherokee has explained in communications with DEC, Cherokee is indifferent as to whether or not it “puts” its energy and capacity to DEP, DEC, or both. While DEC has recently informed Cherokee that it does not have a current capacity need until 2028 and did not include a capacity component in its indicative avoided cost rates, Cherokee notes that DEP does have a capacity need, as evidenced by its 2018 Integrated Resource Plan and its recent request for proposal for capacity issued by DEP dated August 27, 2018. Therefore, even if DEC does not have a capacity need, the Duke companies can make the most efficient use of existing facilities and can avoid unnecessary capacity additions or procurements by facilitating Cherokee’s PURPA of energy and capacity to DEP.

Cherokee, similar to DEC’s own generation, may be recognized as a network resource for DEP.<sup>2</sup> Further, under 18 CFR § 292.303, it is the QF’s option whether to sell to a directly or indirectly interconnected utility, as the relevant PURPA regulation provides that a utility “shall purchase” any energy and capacity from a QF indirectly connected that elects to have the power wheeled to the indirectly connected utility. Cherokee’s request to sell to DEC, DEP, or both, optimizes Cherokee’s value as a resource, helps avoid unnecessary capital additions, and is fully consistent with PURPA requirements, in general, and Cherokee’s rights as a QF under PURPA, specifically

Pursuant to PURPA and its implementing regulations, Cherokee establishes the avoided cost for its energy and capacity as of today, December 10, 2018, the date that the LEO is incurred. *See* 18 C.F.R. § 292.304(d)(2)(ii) (providing an unqualified right for QFs to establish avoided costs calculated at the time the LEO obligation is incurred). Thus Cherokee requests that DEP tender its avoided cost rates to Cherokee as soon as possible to inform the companies’ negotiations.

The documents attached hereto provide the information to establish a LEO for DEP to purchase all or part of Cherokee’s energy and capacity output made available as of January 1, 2021, the day after its current Power Sales Agreement expires. However, if DEP believes it needs additional information for Cherokee to establish the LEO, Cherokee requests that DEP inform Cherokee within five (5) business days and detail the specific information requested.

We look forward to a productive process for negotiating establishing a new power purchase agreement for the Facility. If you have any questions regarding the enclosed information, please contact me at your convenience.

Sincerely,



Name: Carolynne Murff  
Title: sup

<sup>1</sup> *Id.* at P 5.

<sup>2</sup> Though Cherokee is physically interconnected to DEC, there should not be any impediment to Cherokee being designated as a DEP network resource and Cherokee’s power being delivered to DEP. *See, e.g.*, Section 30.6 of the Joint OATT.

Cherokee County Cogeneration Partners, LLC

**Attachments**

Cherokee County Cogeneration Partners, LLC FERC Form 556  
Negotiated Pricing Template  
Notice of Commitment of Cherokee County Cogeneration Partners, LLC

**NOTICE OF COMMITMENT TO SELL THE OUTPUT  
OF A QUALIFYING FACILITY GREATER THAN 1MW<sub>AC</sub> TO  
Duke Energy Carolinas, LLC or Duke Energy Progress, LLC**

This notice of commitment form establishes the procedure for a qualifying facility ("QF") with a nameplate capacity greater than 1 MW<sub>AC</sub> to establish a legally enforceable obligation ("LEO") and to commit to sell the output of a proposed QF generating facility to Duke Energy Carolinas, LLC or Duke Energy Progress, LLC (the "Company") as provided for in N.C. Gen. Stat. § 62-156(b) and 18 C.F.R. 292.304(d)(2). Please note that a different form is available for QFs with a nameplate capacity of 1 MW<sub>AC</sub> or less seeking to commit to sell their output to the Company under the currently available standard offer power purchase agreement and terms and conditions.

1. Delivery; Notices to Company. The QF shall deliver, via certified mail, courier, hand delivery or email, its executed Notice of Commitment to:

Duke Energy – Distributed Energy Technologies  
400 South Tryon Street  
Mail Code: ST 14A  
Charlotte, North Carolina 28202  
Attn.: Wholesale Renewable Manager  
[DERContracts@duke-energy.com](mailto:DERContracts@duke-energy.com)

Any subsequent notice that a QF is required to provide to Company pursuant to this Notice of Commitment shall be delivered to the same address by one of the foregoing delivery methods.

2. Seller Information. The name, address, and contact information for Seller is:

Legal Name of Seller: Cherokee County CogenerationPartners, LLC

Contact Person: Carolyne Murff \_\_\_\_\_ Telephone: 212-615-3456 \_\_\_\_\_

Address: 1700 Broadway 35th Floor, NY, NY 10019 Email: [cmurff@lspower.com](mailto:cmurff@lspower.com) \_\_\_\_\_

3. Commitment to Sell. Seller hereby commits to sell to the Company all of the electrical output of the Seller's QF described in Seller's self-certification of QF status filed with the Federal Energy Regulatory Commission in Docket No. QF94-160-012 (the "Facility").
4. Certifications. By execution and submittal of this commitment to sell the output of the Facility (the "Notice of Commitment"), Seller certifies as follows:

(Select and complete the applicable certification(s) in Sections 4(A) and 4(B) below)

A. Certificate of Public Convenience and Necessity; or Report of Proposed Construction

- i. N/A<sup>1</sup> Seller has received a certificate of public convenience and necessity ("CPCN") for the construction of its \_\_\_\_\_kW (net capacity<sub>ac</sub>) Facility from the North Carolina Utilities Commission ("NCUC") pursuant to North Carolina General Statute § 62-110.1 and NCUC Rule R8-64, which CPCN was granted by NCUC on [insert date] in Docket No. \_\_\_\_\_.
- ii. N/A Seller is exempt from the CPCN requirements pursuant to North Carolina General Statute § 62-110.1(g) and has filed a report of proposed construction for its \_\_\_\_\_kW (net capacity<sub>ac</sub>) Facility with the NCUC pursuant to NCUC Rule R8-65 ("Report of Proposed Construction") on [insert date] in Docket No. \_\_\_\_.

B. Application to Interconnect QF Facility to Company's System<sup>2</sup>

If Seller is requesting to become an Interconnection Customer of the Company, as that term is defined in the North Carolina Interconnection Procedures ("NCIP"), please indicate below whether the Seller has requested to interconnect the Facility under either: (i) the NCIP Section 3 ("Fast Track," as defined in NCIP Section 3.1); or (ii) NCIP Section 4 Full Study Process:

- i. N/A Section 3 Fast Track:
- a. Seller is eligible for interconnection under NCIP Section 3.1;
  - b. Seller has submitted the completed NCIP Attachment 1 Interconnection Request Application Form on [insert date] requesting Fast Track review;
  - c. The Company has accepted the Section 3 Interconnection Request as complete and provided the Interconnection Customer with queue number \_\_\_\_\_; and
  - d. Please select as applicable:
    1. \_\_\_\_\_The Company has completed the Section 3 Fast Track study process and delivered a final Interconnection Agreement to Seller for execution; or
    2. \_\_\_\_\_Seller was preliminarily determined a Project A or Project B by the Company under NCIP 1.8 and 105 days have passed since Seller's interconnection request was submitted to the Company; or

<sup>1</sup> Cherokee is an existing Facility located in the State of South Carolina.

<sup>2</sup> Cherokee is an existing Facility interconnected to the DEC system.

3. \_\_\_\_\_ Seller was preliminarily determined to be “On Hold” for System Impact Study under NCIP 1.8.3 and the Company has subsequently determined that Seller is now a Project B and at least 105 have passed since Seller became a Project B.

ii. N/A Section 4 Full Study:

- a. Seller has submitted the completed NCIP Attachment 1 Interconnection Request Application Form on [insert date] requesting to interconnect under the NCIP Section 4 Study Process;
- b. The Company has accepted the Section 4 Interconnection Request as complete and provided the Interconnection Customer with queue number \_\_\_\_\_; and
- c. Please select as applicable

1. \_\_\_\_\_ Seller has executed and returned a System Impact Study Agreement to begin the Section 4 study process after being preliminarily determined a Project A or Project B by the Company under NCIP 1.8 and (i) Seller has received a System Impact Study Report or (ii) at least 105 days have passed since Seller’s interconnection request was submitted to the Company; or

2. \_\_\_\_\_ Seller was preliminarily determined to be “On Hold” for System Impact Study under NCIP 1.8.3 and the Company has determined that Seller is now a Project B and (i) Seller has received a System Impact Study Report or (ii) at least 105 have passed since Seller became a Project B.


5. Effective Date. This Notice of Commitment shall take effect on its “Submittal Date” as hereinafter defined. “Submittal Date” means (a) the receipted date of deposit of this Notice of Commitment with the U.S. Postal Service for certified mail delivery to the Company, (b) the receipted date of deposit of this Notice of Commitment with a third-party courier (e.g., Federal Express, United Parcel Service) for trackable delivery to the Company, (c) the receipted date of hand delivery of this Notice of Commitment to the Company at the address set forth in paragraph 1, above, or (d) the date on which an electronic copy of this Notice of Commitment is sent via email to the Company if such email is sent during regular business hours (9:00 a.m. to 5:00 p.m.) on a business day (Monday through Friday excluding federal and state holidays). Emails sent after regular business hours or on days that are not business days shall be deemed submitted on the



next business day.

6. LEO Date. By execution and submittal of this Notice of Commitment, and assuming that the certifications provided herein are accurate, Seller acknowledges that the legally enforceable obligation date ("LEO Date") for Seller's QF Facility will be determined as of the Submittal Date or such later date as may be established by the NCUC. Rates for purchases from the Seller's QF Facility will be based on the Company's avoided costs as of the LEO Date, calculated using data current as of the LEO Date.
7. Termination. This Notice of Commitment shall automatically terminate and be of no further force and effect in the following circumstances:
  - a. Upon execution of a PPA between Seller and Company.
  - b. If Seller does not execute a PPA within six months (as such period may be extended by mutual agreement of Seller and Company) after the Company's submittal of the PPA to the QF, provided, however, that if Seller is an Interconnection Customer of the Company and no interconnection agreement for the Facility has been tendered to Seller prior to the expiration of such deadline, the deadline for execution of the PPA shall be automatically extended until the date that is five days after the date that the final Interconnection Agreement is tendered to the Seller. Notwithstanding the foregoing, if the PPA proposed by the Company becomes the subject of arbitration or complaint proceeding, the six month deadline for execution of the PPA shall be tolled upon the filing of the pleading commencing such proceeding and thereafter the deadline for execution of the PPA will be as directed by the NCUC.
  - c. Seller's failure to execute a PPA prior to expiration of the Notice of Commitment period, as identified in subsection 7.(b) above, shall result in termination of the LEO and the QF shall only be offered an as-available rate for a two-year period following expiration of the Notice of Commitment. Thereafter, the QF may elect to submit a new Notice of Commitment Form to establish a new LEO.

The undersigned is duly authorized to execute this Notice of Commitment for the Seller:



\_\_\_\_\_  
[Name]

\_\_\_\_\_  
Senior Vice President

\_\_\_\_\_  
[Title]

\_\_\_\_\_  
Cherokee County Cogeneration Partners, LLC  
[Company]

\_\_\_\_\_  
12 Dec 2018  
[Date]

**Duke Energy Carolinas, LLC's and Duke Energy Progress, LLC's  
Late-Filed Exhibit 2**

**Attachment 7**

**DEP December 21, 2018 Letter to Cherokee  
Regarding Commencing Negotiations**



December 21, 2018

*Via Email and Priority Mail*

Ms. Carolyne Murff  
Senior Vice President  
Cherokee County Cogeneration Partners, LLC  
1700 Broadway, 35<sup>th</sup> Floor  
New York, NY 10019

Re: Cherokee County Cogeneration Partners, LLC ("Cherokee") letter dated December 12, 2018 (the "December 12 Letter")

Dear Ms. Murff:

Duke Energy Progress, LLC ("DEP") acknowledges receipt of the December 12 Letter, in which Cherokee purports to establish a legally enforceable obligation ("LEO") within the meaning of PURPA for Cherokee's existing 86 MW generating facility (the "Facility") and which offers to sell all of the capacity and energy associated with the Facility to DEP commencing on January 1, 2021. DEP recognizes Cherokee's desire to commence negotiations prior to the expiration of the existing power purchase agreement between Cherokee and Duke Energy Carolinas, LLC ("PPA") which expires on December 31, 2020 and is prepared to negotiate in good faith towards a new agreement for the purchase and sale of the full output of the Facility; however, DEP does not agree that the December 12 Letter or the accompanying Notice of Commitment form referenced therein establish a legally enforceable obligation or "LEO" under PURPA. Among other things, the use of the Notice of Commitment form is limited to qualifying facilities of two (2) MW or less that are eligible for DEP's South Carolina Schedule PP standard offer tariff and is therefore not applicable to the Facility.

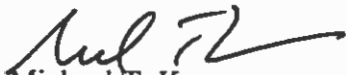
Notwithstanding the foregoing, subject to the conditions set out in this paragraph, DEP is prepared to commence negotiations with Cherokee for a new PPA that would become effective on or after January 1, 2021. DEP also agrees to provide Cherokee indicative avoided cost pricing based upon DEP's forecasted avoided costs calculated as of December 2018, as requested. Due to the time required for DEP to calculate its avoided cost, this information will not be available until on or about January 31, 2019. At that time, DEP will deliver its avoided costs as well as a form PPA for the purchase of Cherokee's full output of energy and capacity over a five-year term

commencing January 1, 2021. The avoided cost pricing will remain available for sixty (60) days from the date delivered by DEP to allow a reasonable amount of time for the parties to conclude any needed negotiations regarding the form of PPA.

The transactions contemplated under this letter and all information disclosed by the parties related thereto shall be subject to that certain Mutual Confidentiality Agreement between Duke Energy Business Services, LLC for and on behalf of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC and Cherokee County Cogeneration Partners, LLC, dated as of October 11, 2018.

Please feel free to contact me at (727) 820-4500 if you have any questions.

Sincerely,



Michael T. Keen

Duke Energy

Business Development Manager

Cc:

David J. Marshall

LS Power

1700 Broadway, 35<sup>th</sup> Floor

New York, NY 10019

**Duke Energy Carolinas, LLC's and Duke Energy Progress, LLC's  
Late-Filed Exhibit 2**

**Attachment 8**

**DEC December 21, 2018 Email Response  
Declining Non-PURPA Proposal**

---

**From:** Keen, Michael T <Michael.Keen@duke-energy.com>  
**Sent:** Friday, December 21, 2018 10:35 AM  
**To:** Aaron Pupa  
**Cc:** Johnson, David B; Rios Jr., Martin  
**Subject:** RE: Cherokee's Request for DEC's Avoided Costs  
**Attachments:** Cherokee County Term Sheet 120718.pdf

Aaron,

Thanks for sending me this term sheet. As I mentioned on the phone, DEC is not actively pursuing any capacity at this time because DEC does not currently have a capacity need. In addition, the pricing included in this term sheet is well above DEC's avoided costs we sent you on 10/31/18 and is also higher than the current market price for capacity delivered into DEC. Furthermore, as you are aware, Cherokee sent DEP a legally binding offer committing to sell all the capacity and energy from Cherokee to DEP commencing on 1/1/21. This commitment will super cede other offers from Cherokee. At this time, we are developing the avoided costs for DEP which you requested. Please let me know if you have any questions. Thank you.

**Michael Keen**  
Business Development Manager  
Duke Energy  
Office 727.820.4500  
Mobile 727.424.2665



**Duke Energy Carolinas, LLC's and Duke Energy Progress, LLC's  
Late-Filed Exhibit 2**

**Attachment 9**

**DEP February 1, 2019 Transmittal of Avoided Cost Rates  
To Cherokee**





February 1, 2019

*Via Email and Priority Mail*

Ms. Carolyne Murff  
Senior Vice President  
Cherokee County Cogeneration Partners, LLC  
1700 Broadway, 35<sup>th</sup> Floor  
New York, NY 10019

Re: Cherokee County Cogeneration Partners, LLC ("Cherokee") - Request for Avoided Costs of Duke Energy Progress, LLC ("DEP")

Dear Ms. Murff:

As requested, DEP's indicative avoided costs as of December, 2018 are specified below. The rates have been calculated using DEP's standard system methodology for Qualifying Facilities based on DEP's December, 2018 system costs. The methodology was recently updated. The rates include a winter capacity component because DEC has identified a winter capacity need in its Integrated Resource Plan ("IRP") starting in 2020. The costs are levelized for the five-year term beginning on January 1, 2021 and are based on the energy being delivered into DEP on a firm basis.

START DATE	January 1, 2021
TERM	5 years

CAPACITY	
Winter (morning)	\$125.74/MWh
Winter (evening)	\$53.89/MWh

ENERGY	
Summer on-peak	\$28.15/MWh
Non-summer on-peak (morning)	\$33.18/MWh
Non-summer on-peak (evening)	\$30.53/MWh
Summer off-peak	\$24.69/MWh
Non-summer off-peak	\$22.63/MWh


The capacity credit shall only be applicable in the winter months defined as calendar months December through March. During the winter months, the morning on-peak hours shall be all winter days from 6:00 a.m. to 9:00 a.m. and evening on-peak hours shall be all winter days from 6:00 p.m. to 9:00 p.m. Capacity credits are not applicable in all other months.

For energy credit purposes, summer months are defined as calendar months May through September and non-summer months are defined as calendar months October through April. Summer on-peak hours shall be Monday through Friday from 1:00 p.m. to midnight. Non-summer on-peak hours shall be Monday through Friday with morning hours from 5:00 a.m. to 9:00 a.m. plus evening hours from 5:00 p.m. to midnight. All other hours, plus the following holidays, shall be off-peak: New Year's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and the day after, and Christmas Day. When a holiday falls on a Saturday, the Friday before the holiday will be considered off-peak; when the holiday falls on a Sunday, the following Monday will be considered off-peak.

The avoided costs included in this letter are available until March 7, 2019. All information included in this letter is considered confidential and protected under the confidentiality agreement executed by both parties on October 11, 2018.

Please feel free to contact me at (727) 820-4500 if you have any questions.

Sincerely,

  
Michael T. Keen  
Duke Energy  
Business Development Manager

Cc:

David J. Marshall  
LS Power  
1700 Broadway, 35<sup>th</sup> Floor  
New York, NY 10019

**Duke Energy Carolinas, LLC's and Duke Energy Progress, LLC's  
Late-Filed Exhibit 2**

**Attachment 10**

**Cherokee's April 30, 2019 Letter to DEC**



Innovation and Investment in Energy

April 30, 2019

Duke Energy Carolinas, LLC  
Michael Keen  
Business Development Manager Renewable Compliance & Origination  
FL 155 299 First Avenue North  
St. Petersburg, FL 33701  
[michael.keen@duke-energy.com](mailto:michael.keen@duke-energy.com)

Kathy Dunn  
Duke Energy - Distributed Energy Technologies  
400 South Tryon Street  
Mail Code: ST 14A  
Charlotte, North Carolina 28202  
[Kathy.Dunn@duke-energy.com](mailto:Kathy.Dunn@duke-energy.com)

Dear Mr. Keen:

In connection with our evaluation of a new PPA between the Cherokee County Cogeneration Partners, LLC ("Cherokee") project and Duke Energy Carolinas, LLC ("DEC"), Cherokee requests the following additional information with respect to the avoided cost rates that you forwarded by letter dated October 31, 2018. We appreciate your responsiveness to these requests.

1. Were the avoided cost rates and underlying methodology filed with the state commission? If so, please provide any supporting calculations or other documentation filed with the commission, as well as any orders issued by, or letters or other communications received from, the commission noting approval or acceptance of the avoided cost rates and underlying methodology.
2. Please provide the methodology and any back-up information that DEC used to calculate the On-Peak and Off-Peak Energy Prices. How were the On-Peak and Off-Peak periods determined?
3. A single On-Peak and Off-Peak Energy Price was provided for the entire year. Please provide DEC's avoided cost On-Peak and Off-Peak Energy Prices allocated between the winter and summer months.
4. With regard to the 5 year term, please provide any supporting data or documentation supporting the 5 year term. Similar to no. 1 above, please provide any orders issued by, or any letters or communications received from, the commission noting approval or acceptance of the 5 year term as the appropriate term for a PURPA power purchase agreement.



We look forward to your response.

Very truly yours,

A handwritten signature in blue ink, appearing to be "Carolyn Murff". The signature is fluid and cursive, with a large initial "C" and a long, sweeping underline.

Carolyn Murff  
Senior Vice President  
Cherokee County Cogeneration Partners, LLC